

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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SUBJECT	Merger of CEMA Council for Complete Installations with CEMA Commission on Foreign Trade	DATE DISTR.	17 November 1958
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1. The Working Group of the Commission for Complete Installations of the Council for Economic Mutual Assistance (CEMA) met in Moscow from 26 to 30 June 1958. Representatives of all the Satellite countries except Albania were present, and representatives of China and North Korea took part as observers. The conference took place in the building recently taken over by CEMA at Petrovka 14 near Red Square. Various CEMA commissions, including the Commission for Complete Installations, are permanently located there, and the secretariats for the various country representatives to CEMA have their offices on the lower floors.
2. Four committees were formed to execute the work program of the conference. Plenary sessions of the Working Group, which took place at the beginning, middle, and end of the meeting, outlined the subjects of discussion for the committees, endorsed the recommendations of the committees, and sent the recommendations forward to the CEMA Commission for Complete Installations. The Chinese and North Korean observers took part only in the plenary sessions. They were not active in the discussions, and, when asked for an opinion, always expressed agreement with the formal proposition under discussion.
3. The meeting of the Working Group concluded on 30 June 1958 because of decisions made at a meeting of the CEMA council in Bucharest. The Commission for Complete Installations was dissolved, and its functions were combined with those of the Commission for Foreign Trade. The reason for the reorganization was of a practical nature, as the activities of the commissions for Complete Installations and for Foreign Trade had overlapped. Further, as the discussions in Moscow especially made clear, the problem of credits could not be resolved without the closest cooperation of these two commissions - a large number of basic

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problems arose from the granting of short-term credits by the various trade organizations.

4. In the plenary sessions there was very thorough discussion of new prospects in trade policies. The CEMA countries will increase their activity in capitalist countries, particularly in the underdeveloped capitalist countries. The CEMA countries will become more ~~active~~, and, instead of merely responding to requests, they will make their own proposals to the capitalist countries. On this matter there was general agreement. In connection with this, it was considered necessary to study more closely the methods of the capitalist countries in the underdeveloped areas, - the methods of planning, setting of costs, terms of credit, and other delivery terms.
5. The order of emphasis of the countries to which credit is granted, that is, on which countries the emphasis is to be placed, was not discussed in detail.

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6. In contrast to previous conferences of the Working Group, the political position of the various delegations in relation to the Soviet Union was quite clear. On the evening of the second day of the conference, Jakob Boulanger, General Director of DIA Invest Export and leader of the East German delegation, called the members of the East German delegation together and addressed them openly and directly to the following effect: "You have certainly noted that a clear phalanx has formed in opposition to the Soviet Union. We have the task of throwing the ball to the Soviet Union from time to time, and under no circumstances must we stab our Soviet friends in the back. This is our special mission in the discussions."
7. Immediately after the first day of discussion Boulanger took one of the younger East German representatives aside and explained to him that East Germany and Czechoslovakia have a special role to play at such conferences, as these are the only two countries which have no "Western complex". These two countries have the task of supporting the policies of the Soviet Union. Boulanger said that at the Prague CEMA conference considerable differences had arisen with the Hungarians. The Hungarians did not want to submit to certain decisions for coordination of their production within the frame of CEMA planning; they demanded special rights and exceptions. The Czechs and East Germans, working with the Soviet Union, made the political line prevail and broke down the opposition of the Hungarians.
8. Major and vicious personal differences developed among several members of the East German delegation at the meeting. Two of the members, Schuenemann and Kuchta, became involved in a loud and abusive quarrel in front of the CEMA building. On another occasion Boulanger and Kuchta quarreled and each called the other an enemy of the Party and the state.
9. The agenda of the conference included the following points:
 - a. Critical examination of the proposals of the member countries regarding the delivery of complete installations in economically underdeveloped capitalist countries for the period from 1959 to 1965; working out of recommendations for the further harmonization of the export program for complete installations.

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- b. Critical examination of the proposals of the member countries and working out of recommendations regarding coordination and co-operation for deliveries of complete installations planned for the period 1959 to 1965; recommendations for trade activity of the foreign-trade organizations of the member countries.
 - c. Critical examination of the proposals of the member countries and working out of recommendations for the most suitable forms for bringing technical aid to economically underdeveloped capitalist countries.
 - d. Critical examination and working out of recommendations regarding conditions for the granting of credits connected with the delivery of complete installations to underdeveloped countries.
 - f. Discussion of the projects on the basis of the recommendations of the meeting of experts in Prague concerning the method of deciding on further technical aid and of working out projects for underdeveloped capitalist countries; decision regarding the minimum rates for specialists sent to give technical aid in these countries.
 - g. Discussion of proposals worked out by the Polish Cekop and Bulgarian Techno-Impex trade organizations; working out of recommendations for mutual calculations for common projects as well as for projects and deliveries of equipment for complete installations outside the Bloc.
10. The committee to discuss the first point of the agenda (Para. 9-a above) met under the chairmanship of a Soviet delegate, V. D. Ivanov. The committee recommended that the CEMA states concentrate in the future more and more on 10 types of industrial installations for export. Among these 10 types are cement plants, sugar factories, and electrical-engineering installations. It is hoped that by the utmost rationalization it will be possible to deliver these installations on more favorable terms than the capitalist countries. To this end, the widest possible cooperation among CEMA countries will be necessary, and it will be necessary to avoid any competition among CEMA countries outside the Bloc. It will be necessary to inquire exactly into the requirements of the underdeveloped countries and into their probable requirements up to 1965, and this inquiry must itself be included in the long-range planning.
 11. In the granting of credit (Para. 9-d above), it was decided after lengthy debate to offer an interest rate of 2.5 percent per annum for short-term credits. Czechoslovakia had demanded during the debate that the interest rate be raised to 4 percent. The Czechs argued that if the Soviet Union gave unusually favorable rates for credit, the other CEMA countries must do so also, even if these rates were economically unacceptable. The Poles agreed with the Czechs and suggested a minimum rate of 4 percent. The Hungarians went still further and asked that short-term credits be granted at a minimum interest rate of 6 to 7 percent. The East Germans did not commit themselves at first but seemed to want to support the Czech proposals. The Soviet Union then made a compromise proposal of 3 percent. The East Germans now gave in and, with the Rumanians, supported the Soviet proposal, but the other Satellites, under the leadership of the Czechs, would not give in. As no agreement could be reached, the Soviet representative announced that the previous policies would remain in force; the Soviet Union would offer an interest rate of 2.5 percent and the other countries could do as they wished. A sharp exchange between the representatives of the Soviet Union and Czechoslovakia followed.
 12. Considerable discussion concerned the question of granting credits under favorable conditions for the borrower. It was agreed that in such cases the lender should inform the CEMA secretariat of the particulars and that the other countries should be informed of

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experiences in this regard. The East Germans asked that the reasons for the granting of credit under these conditions be transmitted in detail.

13. The members of the committee considering the points of agenda listed under Para. 9-b and g above were all general directors of foreign trade organizations. The Soviet chairman of the committee stated that the question of the costs for specialists sent out to underdeveloped countries was extremely important and that there must be unity about calculating them as low as possible. One must not forget that the money which is paid out for this purpose will come in again later. Through the employment of these specialists the industrial plants now being built are tailored for the home country or countries of the CEMA states, and that will pay off in every way in the future. The chairman continued, "The employment of the specialists is one of the most important ways of penetrating the underdeveloped countries." Immediately, however, he corrected this formulation as follows: "The expression 'penetrate' is not really suitable. It is used by the capitalist and imperialist powers, and we would do better to avoid it."
14. The basic purpose of the Soviet Union was to set upper and lower limits, exactly specified, for the costs of sending out specialists and for project planning. The lower limit should cover the prime costs, while the upper limit should always be below the price level of the capitalist states.
15. Hungary and Czechoslovakia opposed these limitations. The Hungarians pointed to their own economic weaknesses and maintained that they could not carry these debits. The Czechs followed different tactics. They suggested that the problem be brought again before the plenary session. With allusion to formulations used by the Soviet Union in previous negotiations, the Czechs explained that they had by no means had sufficient experience in the employment of specialists abroad and that they therefore could not see themselves in a position to agree to the limitations in the form demanded. They wanted to recognize only a limit which would in each case be below the price level of the capitalist countries.
16. The East Germans and the Rumanians tried to help the Soviet Union, but the other people's democracies remained stubborn. This resulted in the most serious incident at the entire conference. I. N. Krupin, the Secretary of the Commission for Complete Installations, appeared and stated that the decision to draw only one limit would be a definite step backward and that the Soviet Union would act as it had proposed.
17. Wide differences regarding the setting of definite figures had already appeared. The subject had been thoroughly discussed and a table had been worked out which was to be taken as a basis for the calculation of project planning costs and for the sending out of the specialists. The Czechs were now requesting the postponement of this question. Krupin's sharp reply was as follows: "Postponement won't do. The matter has already been postponed three times and must now finally be settled. The question must otherwise be raised whether the members of this working group should not be called to account for their poor work." After this statement the formulation was approved which appears in the minutes.
18. The final point of the agenda (Para. 9-g above) was postponed by common agreement for later consideration at the conference of experts in Warsaw in September 1958.
19. The minutes of the conference, in Russian, were given to the East German delegation in two copies. Among the East German recipients

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of the minutes were: DIA Invest Export, Berlin; the Politburo; the Ministry of Foreign and Internal Trade; the State Planning Commission - Schuenemann; and the Ministry of Heavy Machine Construction. The minutes are TOP SECRET.

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1. Comment: It turned out at the Moscow conference, however, that the Czechs were extremely hard to deal with, and it was as a result of this development that Boulanger called the East German delegation together after the second day of the conference.

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2. Comment:
 A list of those delegates to the conference is given in Annex C.

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Annex A

Part of the minutes distributed to members of the Working Group of the CEMA Commission for Complete Installations on 30 June 1958.

Recommendations on the question of conditions for granting of trade credits (postponement of payment) by the foreign trade corporations which are concerned with the delivery of complete installations in economically underdeveloped countries.

In accord with the usual practice of granting trade credits (postponement of payment) in connection with the delivery of complete installations to economically underdeveloped countries, it seems most suitable to begin with the following:

1. In cases where it does not seem possible to effect the sale of equipment for complete installations for cash (free foreign currency or delivery of goods), a trade credit may be granted in the form of postponement of the payments.
2. The credits are to be granted according to agreements concluded between the foreign-trade organizations of the member countries of CEMA and state enterprises and undertakings or private firms of the economically underdeveloped capitalist countries. If the credits are granted to private firms, there must be bank guarantees. In some cases, very large credits are to be granted only with a government guarantee.
3. The extent of the credit (postponement of payment) is to be expressed in an acceptable foreign currency of the contracting states or in freely convertible currency of the capitalist countries. The liquidation of the credit granted is to be effected by the delivery of goods at world market prices as stipulated by the buyer or by payments in freely convertible foreign currency. In order to assure the interests of the country making the deliveries, the gold clause is usually to be included in the agreement, and when it is necessary, the credit granted will be insured with suitable organizations. (The calculation of the insurance is to be carried out separately.)
4. The postponement of payment is from the moment of the conclusion of the deliveries and can last up to four years. Only in exceptional cases can the postponement of payment be granted for a longer period. For covering the expenditures of the country making the deliveries for re-export, foreign exchange, and other expenses, an effort is to be made to get 40 to 50 percent of the value of the equipment from the buyer at the time of the conclusion of the deliveries. This 40 to 50 percent will include the advance payment which the buyer made when the agreement was concluded.
5. The interest rate for trade credits (postponement of payment) will be set according to the established practice of the CEMA member countries.
6. In cases where the member countries, in order to conclude an agreement, have to forgo the conditions which have been recommended, the foreign trade organizations will inform one another about such exceptions and the reasons for them. At the meetings of the general directors a general assessment will regularly be made of the manner in which the recommendations have been carried out.

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Annex B

Completion of the Recommendations of the Conference of Experts Which Took Place in Prague from 22 to 26 April 1958.

A. Concerning the method of determining the value of technical aid.

1. The experts recommend that points 1 to 6 of attachment number 1 to the report of the Prague conference be accepted.
2. Considering the great political and economic significance of intensifying the provision of technical aid to economically underdeveloped capitalist countries by sending specialists from the CEMA member countries, it is important that the terms for sending the specialists to these countries be more favorable for these countries than the terms by which technical aid is granted by the capitalist firms.
3. Since the right determination of the level of the rates for the provision of technical aid is of great importance, the following recommendations are made:
 - a. The representatives of the countries in the Standing Commission are requested to clarify the mutual relation of the rates which are levied on the one hand by the CEMA member countries and on the other hand by the capitalist firms. A report on this subject is to be sent to the Secretariat of the Standing Commission within two months.
 - b. For the harmonization of the actual level of the rates for the specialists who are sent to individual underdeveloped countries, all the foreign trade organizations of the CEMA member countries are requested to fulfil completely in the course of two months the recommendations for the exchange of information concerning the rates for specialists which were made at the Prague conference of experts. The foreign trade organizations are also to exchange data concerning the extent and the methods of reckoning of direct expenditures, by individual items of expense, sustained by each foreign trade organization in connection with the sending of specialists. This is to be done for each country separately.
 - c. The secretariat of the Standing Commission for Complete Installations is to organize within two months the receipt of the materials mentioned above, to generalize them, and to bring recommendations before all the member countries concerning minimum rates for specialists, so that the recommendations can then be examined at the conference of the general directors and be endorsed by the Standing Commission for Complete Installations.

B. Concerning the method of determining the value of planning jobs which are carried out for the economically underdeveloped capitalist countries.

1. The recommendations of the experts which are presented in attachment number 2 to the report of the Prague meeting are to be accepted. It is to be borne in mind that the figures which are included in the recommendations are a first attempt to generalize the materials available on this question and that these figures need to be improved and to be made more precise. To this end it is proposed that the foreign trade organizations of the CEMA member countries:
 - a. Study carefully the planning practice of Western firms with regard to determining the content and the extent of the planning carried out by them. This study is to be accomplished on the basis of trade agreements and literature which are available to the foreign

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trade organizations as well as in the countries where these firms carry out planning and construction.

b. Deliver within three months reciprocal reports on all agreements for planning completed with capitalist countries in the past three years. This will include agreements both for imports and exports. These reports will include the extent of the work to be carried out, the absolute value of the project, and also the value of the project expressed in percentage of the value of the total installation or of the value of the equipment for the given installation. In the future a systematic exchange of such information is to be carried out with regard to all agreements concluded.

Technoexport foreign trade corporation of Prague is requested to assemble the information turned in by the individual countries so that it can be examined by the then current conference of experts. The assembled materials are to be sent to all the foreign trade organizations up to one month before they take part in the conference of the CEMA Commission for Complete Installations.

The Secretariat of the Commission for Complete Installations is requested to call a meeting of experts of the foreign trade organizations at the beginning of 1959 in order to work out further the recommendations made at the present meeting.

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Annex C

Participants at the Moscow conference of 26 to 30 June 1958

Soviet Union : Krupin, Ivan Nikolayevich
Secretary of the Commission for Complete
Installations, Moscow

Krutikov, F. A.
Member of the Commission for Complete
Installations, Moscow

Chernishev, I. I.
Probably an employee of Tekhnoeksport

Ivanov, V. D.

Sergeyev, P. S.

Smirlov

East Germany : Boulanger, Jakob
Leader of the East German delegation,
General Director of DIA Invest-Export,
member of the Commission for Complete
Installations

Von Krepel, Kurt
Plans Chief in DIA Invest-Export

Pfeuffer, Wolfgang
VEB INEX Berlin

Kuchta, Konrad
Planning Commission

Schuenemann
International Cooperation Department,
Planning Commission

Poesch, Manfred
Chemical Department, Planning Commission

Liebmann, Georg
Translator in the Planning Commission

Czechoslovakia: Marek
Leader of the Czech delegation, General
Director of Technoexport, Prague

Ellisak
Member of the Commission for Complete
Installations

Kuchta, O.
Employee of Technoexport, Prague

Two other Czechs

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Poland : Furtak
General Director of Tekop, Warsaw

Mackiewicz
Member of the Commission for Complete
Installations

Konarszewski

One other Pole

Hungary : Des
General Director of Komplex, Budapest

Doman
Member of the Commission for Complete
Installations

Bulgaria : Stoyev
General Director of Techno-Impex

One other Bulgarian

Rumania : Two representatives

Albania : Not represented

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